Experts take a stand against health insurance mergers in California

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Leading economists and experts representing the physician community last week delivered testimony against the proposed merger of Anthem and Cigna at a hearing of the California Department of Insurance. Find out what they had to say about how the merger would affect patients and physicians.

More competition needed, not less

“California should act to block the harmful merger and foster a more competitive market place that will operate in patients' best interests,” said Henry Allen, the AMA’s top antitrust attorney, in testimony before the California Department of Insurance.

“The state’s fragile health care system should not be left vulnerable to a giant health insurance company with anticompetitive market power,” Allen said. “The consequences of the proposed merger would have negative long-term consequences for health care access, quality and affordability in California.”

Testimonies opposed Anthem’s bid to dominate the California health insurance market by purchasing Cigna—the state’s sixth largest insurer.

“Anthem and Cigna are two of the largest five health insurers in the United States,” said Brent Fulton, associate director of the Global Center for Health Economics and Policy Research. “We are not aware of any peer-reviewed studies that have found that higher insurance market concentration has led to lower health insurance premiums.”

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The AMA presented state regulators with an analysis (log in) that found the proposed Anthem-Cigna merger would run afoul of federal antitrust guidelines in highly-populated metropolitan areas across California.

If this health insurer consolidation is allowed, it would compromise the ability of physicians to advocate for their patients, Allen said. In practice, market power allows insurers to exert control over clinical decisions, which undermines the patient-physician relationship and eliminates crucial safeguards of patient care.

On the other hand, competition among health insurers can lower premiums, enhance customer service and spur inventive ways to improve quality and lower costs. Patients benefit when they can choose from an array of insurers who compete for their business by offering desirable coverage at competitive prices.

The health of the state’s patients is at stake, Allen said. “Conditions in most markets are now heavily tilted toward insurers, giving them an unprecedented advantage in determining the scope, coverage and quality of health care.”

**Physicians show their opposition**

85 percent of California’s physicians are opposed to the merger of health insurance giants Anthem and Cigna, according to a recent survey conducted by the California Medical Association (CMA) in collaboration with the AMA to gauge physician’s opinion on the mergers.

Results of the survey detailed three specific concerns physicians have over the consequences of this consolidation:

- 82.2 percent said it would create narrower networks that make it more difficult for patients to find care from in-network physicians.
- 81.9 percent said it would reduce the ability for physicians to advocate on behalf of their patients.
- 88.8 percent said it would result in a reduction in the quantity or quality of services that physicians can offer their patients.
In California, where Anthem dominates most markets, high barriers exist for new competitors entering these markets. Potential competitors are typically unable to challenge Anthem’s market dominance due to the insurer’s entrenched position. Allowing Anthem to enhance its market power through the Cigna acquisition would represent an insurmountable barrier for new insurers to expand to California markets and offer competitive choices for patients.

“Anthem has been unable to produce evidence to support its claim that the merger will guarantee greater efficiency and lower health care costs,” Allen said. “To the contrary, economic studies have shown that rather than passing any benefits from efficiencies to consumers, health insurer mergers actually result in higher premiums.”

More on the proposed mergers

- Physicians stand up against mergers of powerful insurers
- States where health insurers are squeezing out competition

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